



To: First 5 Alameda County Executive Committee

From: Rebecca Gebhart, Director, Finance & Administration

Date: February 18, 2009

Subject: Long Range Financial Plan recommendation

ACTION REQUESTED

To review the Long Range Financial Plan recommendation and make suggestions for changes or clarifications in preparation for presentation to the Commission on February 26, 2009

BACKGROUND

First 5 Alameda County has adopted a Long Range Financial Plan annually since March 2004. Adoption of a Long Range Financial Plan is a statutory requirement of all First 5 Commissions since 2006-07. Historical background information about the Long Range Financial Plan is provided in Appendix A.

A Long Range Financial Plan was approved in June 2008 (attached, Appendix B). The projection outlined spending for the 2009-13 Strategic Plan period. The projection was revised in January 2009, to align with the 2009-13 Strategic Plan Funding Allocation proposal, and to provide updated figures from 2007-08 which had become available. (attached, Appendix C) This version has updated assumptions regarding the tobacco tax decline and the sunset of the state funding initiatives directly on the document.

The revision was presented in January 2009, with the total budget for the 2009-13 period staying stable at \$24.15 million per year. At that meeting, Commissioner Wang requested a presentation of a more sloping reduction that had the result of keeping more funds in the Sustainability Fund for a longer time horizon. This next version is attached as appendix D, and shows a more gradual use of the Sustainability Fund. The gradual use allows an additional two years, 2017-19, of use of the reserve.

The sloping usage of the Sustainability Fund involves a large decrease at the beginning of 2011-12. Program costs would decrease \$3.1 million (15%), and Administration and

Evaluation decrease by \$200,000 (9%). A planning process would need to take place to determine which programs would be reduced and/or eliminated.

It is important to note that these scenarios do not consider a redirection of Proposition 10 funds by the California Legislature or the voters of the state of California. In the event of these possibilities, new Long Range Financial Plan scenarios will be brought before the Commission for consideration.

FISCAL IMPACT

There is no fiscal impact.

ACTION REQUESTED

To review the Long Range Financial Plan options and make suggestions for changes or clarifications in preparation for presentation to the Commission on February 26, 2009

Submitted by:

Reviewed by:

Rebecca Gebhart, Director,
Finance & Administration

Mark Friedman, Chief Executive Officer

HISTORICAL BACKGROUND – APPENDIX A

The Long Range Financial Plan tool was designed to strategically guide the use of First 5 Alameda County's Sustainability Fund. The Sustainability Fund was established by the First 5 Alameda County Commission as a strategy to ensure a long term commitment to funding services for children age 0-5, even as the tobacco tax revenue declined.

The Sustainability Fund is currently approximately \$53,000,000 and was accumulated in several ways. First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but funds could not be spent until a Strategic Plan was passed (Jan. 1999-Jan. 2000). In addition, contributions to the Sustainability Fund were budgeted over a number of years (2001-2004). Finally, budgeted funds that remained unspent were directed by the Commission to the Sustainability Fund rather than rolling to the subsequent year's budget (2001-present). It is important to note that Sustainability Funds have been budgeted for program use since 2005-06 (which means that Expenses have been projected higher than Revenues) but budget savings in those years made it unnecessary to draw from the Fund.